IN THE

ALEXANDER L STEVA CLERK

Supreme Court of the United States

October Term, 1983

CHARTER CONSOLIDATED, LTD., CHARTER CONSOLIDATED INVESTMENTS, LTD., and CENTRAL MINING FINANCE, LTD.,

Petitioners.

ANTHONY A. BARBER, et al.,

Respondents.

BRIEF OF PPG INDUSTRIES, INC. IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF PENNSYLVANIA

> DAVID J. ARMSTRONG Counsel of Record GEORGE E. McGRANN DICKIE, McCAMEY & CHILCOTE, P.C. 3180 U.S. Steel Building Pittsburgh, Pennsylvania 15219 (412) 281-7272 Counsel for Respondent PPG Industries, Inc.

Of Counsel JOHN P.S. O'CONNOR, Esq. Senior Counsel PPG Industries, Inc. Two Gateway Center Pitteburgh, Pennsylvania 15222 April 25, 1984

Listing Under Supreme Court Rule 28.1

As required by Supreme Court Rule 28.1, the following is a listing of the subsidiaries (except wholly owned subsidiaries) and affiliates of Respondent PPG Industries, Inc.

Arkansas Chemicals, Inc. Asahi-Penn Chemical Company, Ltd. Boussois S.A. Industrie Vernici Italiane S.p.A. Inveca-Pittsburgh C.A. Italver-Pittsburgh Paints S.p.A. Pennyasia Limited Pinturas Pittsburgh de Mexico S.A. Pinturas Pittsburgh Iberica, S.A. Pittsburgh Corning Corporation PPG Industries Investments S.r.l. PPG Industries Taiwan, Ltd. Puerto Rico Olefins, Inc. S.A. Peintures Corona Silenka B.V. Societe Allymer S.A. Tatung Coatings Co. Vernate Pennitalia S.p.A.

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CHARTER CONSOLIDATED, LTD., CHARTER CONSOLIDATED INVESTMENTS, LTD., and CENTRAL MINING FINANCE, LTD.,

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VS.

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PPG Industries, Inc. (hereinafter "PPG"), a Respondent to these proceedings, respectfully requests that this Court deny Petitioners' request for the issuance of a writ of certiorari to the Supreme Court of Pennsylvania to review the finding that jurisdiction has been properly exercised by the courts of the Commonwealth of Pennsylvania over Petitioners, for the reasons that follow.

Statement of the Case

The Superior Court of Pennsylvania affirmed the trial court's finding of jurisdiction over Charter¹ by carefully evaluating all of the affiliating circumstances and facts presented to it with regard to Charter. Those affiliating circumstances included Charter's direct contacts with the Commonwealth of Pennsylvania as well as Charter's contacts with Pennsylvania through the pervasive activities of several of its closely-held and directed subsidiaries, Cape² and Pandrol³. A short summary of the relevant facts concerning these companies and their inter-relationships follows.

It has been admitted by Charter that Cape is subject to the jurisdiction of the courts of the Commonwealth of Pennsylvania⁴, and Charter does not contest that Pandrol is also subject to jurisdiction in Pennsylvania courts. The forum-affiliating activities of Cape, moreover, are directly related to the causes of action set forth by Plaintiffs: Cape shipped raw asbestos to Pittsburgh Corning's Port Allegany, Pennsylvania facility where the Plaintiffs allege they were exposed to and harmed by

PPG will follow the practice of Petitioners by referring to each of the Petitioners through the use of the name "Charter" in this brief, since Charter admits the three Petitioners should be treated similarly.

² "Cape" refers to a group of companies engaged in the mining, manufacturing and sale of asbestos and asbestos products. Cape sold asbestos to Pittsburgh Corning in Pennsylvania where the Plaintiffs in this action were allegedly harmed by exposure to such asbestos.

³ "Pandrol" refers to another group of companies wholly-owned by Charter, which conducts extensive activities within Pennsylvania.

^{&#}x27;In depositions taken of Charter personnel sitting on the Board of Cape, it became clear that Cape made a purposeful decision to withdraw from any participation in asbestos litigation in the United States. Thus, in cases such as the one presently before this Court, Cape, even though properly served and subject to the jurisdiction of American courts, refuses to appear and participate in such litigation.

asbestos. Cape was the supplier to this Pittsburgh Corning facility, and jurisdiction over Cape is thus selfevident.

The lower court found that these activities of Cape and Pandrol should be attributed to Charter for jurisdictional purposes based on a careful consideration of the structure of Charter and its business and how Charter managed those businesses. The most important aspect of Charter to note for such purposes is that Charter itself does not conduct business, but rather conducts essentially all of its business through wholly-owned or majority owned subsidiaries. Charter itself is merely a holding company for the stock of the many subsidiaries through which its business is conducted.

Although all business is conducted through subsidiaries, Charter management itself is organized by "divisions". The four main divisions of Charter are Mining, Industrial, Finance, and Administration and Services. Each of these divisions is headed up by a member of the Charter Executive (a group of top management that constitutes the highest authority within Charter), and that Charter Executive remains responsible for the operations and profitability of the subsidiaries comprising that division. Charter's income

⁵ Even Charter management is formally employed by a separate subsidiary corporation rather than by Charter itself. These subsidiary companies are referred to within charter as the "service companies" and organizationally fit within Charter's Administration and Services Division.

^a For example, Geoffrey Higham, in 1981, was the Charter Executive responsible for the Industrial Division of Charter, which is the division containing Cape and its affiliated companies and the Pandrol companies. To discharge his duties to Charter with respect to these companies, Higham sat on the Board of each of the industrial subsidiaries and served as Chairman of at least three of the companies, including Cape.

is derived almost wholly from the operations of its subsidiaries in its various divisions, and it is clear that Charter itself does not conduct any business other than the business conducted through its subsidiaries. The Superior Court concluded after a review of the structure and operations of Charter that "Charter conducts the affairs of its Industrial Division by exercising control over the operations of its industrial subsidiaries". Barber v. Pittsburgh Corning Corp., 464 A.2d 323, 328; Petition for Writ, Appendix B at 9a). This is, in the main, accomplished by placing Charter Executive personnel on the Boards of each subsidiary and thereby ascertaining that Charter may direct the business activities of each subsidiary.

Both Cape and Pandrol are members of Charter's Industrial Division. The ties between each mentioned group of companies and Charter are as intimate as suggested generally above.

At present, Charter owns 67.3 percent of the stock of Cape Industries, PLC. Charter identifies Cape as one of its subsidiaries; indeed, as one of its most significant subsidiaries. According to figures supplied by Charter, approximately 17 percent of its income is derived from the dividends it receives from Cape. To protect its interest in Cape, Charter consistently has placed its highest ranking executives on the Board of Cape, usually including the Chief Executive Officer of Charter. As a result, there is an overlap of four directors between the boards of Charter and Cape, and each person serving on

Some of Charter's income is derived from investment rather than industrial activities, but apparently even these activities are carried out through subsidiaries.

^e Cape also has a number of wholly-owned subsidiaries, each engaging in some aspect of the asbestos business. Charter and Cape treat these companies as one, and PPG will do so in this brief also.

the Board of both companies is of the highest executive responsibility within Charter.

The evidence developed during the course of jurisdictional discovery showed that Cape invariably followed the recommendations of the Charter members of Cape's Board concerning dividends to be declared to Charter and other business matters before the Cape Board. In fact, one representative from Charter could not remember an instance during the entire ten-year span of time he sat on the Cape Board wherein the Cape Board outvoted the Charter representatives on the Board on any matter or failed to follow the recommendations of the Charter representatives.

Charter's direct participation in Cape's affairs is also evident from the fact that a member of the Charter Executive held the position of either Chairman or Deputy Chairman of Cape at all times since 1969.

Perhaps the clearest and best indication of the relationship between Charter and Cape is given by the statement made by Charter at the time it obtained the majority interest in Cape:

It is Charter's purpose to make use of the wide experience of Cape's management so that Cape can become the main channel for the expansion of Charter's industrial activities of this type; this could not be satisfactorily achieved unless Charter acquired a considerably larger holding such as would give Charter control of Cape. Barber v. Pittsburgh Corning Corp., 464 A.2d at 329; Petition for Writ, Appendix B at 11a.

Other indications of the control exercised by Charter over Cape include:

(a) Charter dictated a restructuring of Cape's management soon after obtaining control of Cape in 1969.

- (b) The Charter Annual Reports identify Cape as a subsidiary and discuss the business of Cape as an aspect of Charter's activities.
- (c) All financial statements of Cape are consolidated with those of Charter.
- (d) Charter has indicated that it is willing to stand behind any loans or other financial obligations incurred by Cape.

The record generated before the lower court showed in much more detail than can be set forth here the close operating relationship between Charter and Cape, leading the Pennsylvania Superior Court to hold that "although Cape may technically appear to be an independent business entity, the record shows clearly the extent to which it comprises an operating arm of Charter." Barber v. Pittsburgh Corning Corp., 464 A.2d at 329; Petition for Writ, Appendix B at 10a. A frank admission of the control exercised by Charter over Cape was made by Ronald Dent, a high Cape official, who stated that Charter did not put any more representatives on the Cape Board because both Charter and Cape realized that Charter could control the vote of the Cape Board at any time Charter felt it necessary by the mere election of new directors, and there was no need to waste time about such matters.

Charter's relationship with Pandrol is strikingly similar. Pandrol International is a 100 percent owned subsidiary of Charter, and Pandrol, Inc., an American company, is in turn wholly-owned by Pandrol International. The record below showed that both Pandrol International and Pandrol, Inc. conducted

substantial and continuous business within the Commonwealth of Pennsylvania. As a summary, the jurisdictional record showed the following with regard to the relationship between Charter and the Pandrol companies:

- (a) As with Cape, a member of the Charter Executive was assigned responsibility to oversee the operations of the Pandrol companies. In addition, a member of the Charter Executive has been named Chairman of Pandrol International.
- (b) There is a significant overlap in the boards of directors of Charter and Pandrol International. There are no directors of Pandrol International who are not either members of the Charter management or employees of Pandrol itself.
- (c) The evidence showed that Pandrol, Inc., the American subsidiary, was not incorporated until specific approval was received from Charter.
- (d) When Pandrol, Inc. required loans from American banks, Charter guaranteed those loans. When a prospective supplier of materials requested guarantees of payment, Charter provided those guarantees. Charter was also willing to provide performance bonds for the Pandrol subsidiaries.

The relationship between Pandrol International and Pandrol, Inc. is equally close. When Pandrol, Inc. was incorporated, the English company dictated the membership of the Board of Directors and set the agenda for board meetings. When the American company needed technical assistance, it was forthcoming from the English parent. The majority of Pandrol, Inc.'s board are

⁹ Pandrol's business in the Commonwealth of Pennsylvania was not, however, related to the causes of action asserted by Plaintiffs in this case.

also members of Pandrol International's board, and the American company follows a series of detailed reporting requirements to its English parent.

The Superior Court concluded after a careful review of the extensive record that "Pandrol is not an independent entity, even if set up as a separate business corporation under the law. Rather, it is clearly a business division of its corporate owner, which controls all of its operations Charter directs Pandrol's policies just as another business entity would control the activities and directions of one of its operating divisions." Barber v. Pittsburgh Corning Corp., 464 A.2d at 329, Petition for Writ, Appendix B at 11a.

Finally, the evidence amassed in jurisdictional discovery revealed a consistent pattern of direct Charter activities within the Commonwealth of Pennsylvania. Within a single year¹0 Charter made a number of encursions into Pennsylvania to conduct business and for investment transactions. The Pennsylvania courts found that these direct activities, as well as Charter's conduct of business through its subsidiaries in Pennsylvania, fulfilled the constitutional standards permitting the exercise of jurisdiction over Charter with respect to this action.

Oharter limited its discovery responses concerning its activities in Pennsylvania to one year and thus there is presently no record of Charter's Pennsylvania-related activities for any other period of time.

Reasons for Denying the Writ

The Pennsylvania courts correctly utilized the appropriate decisions of this Court, notably International Shoe Co. v. Washington, 326 U.S. 310 (1945), to find that the exercise of jurisdiction by the courts of Pennsylvania over Charter passed muster under the due process clause of the Fourteenth Amendment. The suggestion by Charter that the Pennsylvania courts overruled this Court's holding in Cannon Manufacturing Co. v. Cudahy Packing Co., 267 U.S. 333 (1925), is incorrect, since Cudahy was decided before the revision to constitutional standards of jurisdiction articulated in International Shoe and must be read in light of subsequent jurisdictional conceptual development. This is exactly what the Pennsylvania courts did.

As a second point, the Pennsylvania courts conducted a careful review of all contacts of Charter with Pennsylvania, both directly and through the activities of controlled companies, to determine that Charter's presence in Pennsylvania was continuous and substantial and satisfied without difficulty the appropriate minimum standards necessary for the invocation of jurisdiction. The affiliating circumstances cited by the lower courts demonstrate the propriety of finding jurisdiction under this Court's pronouncement of the relevant constitutional standards, and the correct due process standard was used by the lower court.

I. The Pennsylvania court's finding of jurisdiction based in part on the activities of Charter's subsidiaries comports with the due process clause of the Fourteenth Amendment.

Charter has framed the issue for which it seeks review from this Court as whether the lower court, in basing

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jurisdiction in part on the activities of Charter's subsidiaries in Pennsylvania, implicitly conflicts with a sixty year old holding of this Court in Cannon Manufacturing Co. v. Cudahy Packing Co., 267 U.S. 333 (1925). By framing the issue in this way, Charter would contend that the Cannon case incorporates a due process standard for judging jurisdiction over a parent based on the activities of its subsidiaries. However, the fact of the matter is that the Cannon case, however valid under 1925 jurisdictional conceptions, is wholly uninformed by subsequent due process jurisdictional analysis and was correctly perceived by the Pennsylvania courts to be of limited value in assessing whether Charter should be subject to this suit in Pennsylvania.

In Cannon, this Court held that a parent corporation could not validly be served with process in a jurisdiction in which it was not itself physically present by serving its subsidiary which is doing business in the state, unless the parent so ignored the separate existence of its subsidiary that the independence of the entities was pure fiction. If those formalities were ignored, such that the corporate veil could be pierced, then the parent corporation could be deemed physically present in the jurisdiction through its subsidiary.

The holding in the Cannon case made jurisdictional sense in a day when the constitutional exercise of jurisdiction required the physical presence (actual or implied) of the defendant. Pennoyer v. Neff, 95 U.S. 714 (1877). However, the rationale of the Cannon case was undermined by International Shoe v. Washington, 326 U.S. 310 (1945), and its progeny. Since the physical presence theory was jettisoned, Cannon does not reflect current jurisdictional thought. Like any other jurisdictional problem, whether a parent corporation is

subject to the power of a court based on its relationship to a subsidiary within the forum must be analyzed under the *International Shoe* standards of minimum contacts and fundamental fairness, not under the mechanical application of corporate law concepts, as Charter would have this Court rule.¹¹

PPG submits that under the standards of International Shoe and subsequent cases, the correct standard to use to determine whether Pennsylvania courts have jurisdiction over Charter is not a "piercing the corporate veil" analysis, but rather a reasoned analysis of the relationships among the Charter companies, the function of the subsidiaries, the activities of Charter and its subsidiaries in Pennsylvania, and the benefits derived by Charter from the Pennsylvania activities. Only by use of such a sensitive analysis may a court correctly determine whether Charter has such minimum contacts with Pennsylvania such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice. International Shoe v. Washington, 326 U.S. at 316.

This approach, mandated by this Court's jurisdictional decisions going back for a period of forty years, is exactly the approach taken by the Pennsylvania courts

There are a number of cases which have recognized that Cannon does not provide a viable jurisdictional analysis since International Shoe. See Energy Reserves Group, Inc. v. Superior Oil Co., 460 F. Supp. 483, (D. Kansas 1978) ("The Court . . . holds that formal separation of corporate identities does not raise a constitutional barrier to the exercise of jurisdiction over a non-resident whose affiliated corporation has a substantial nexus with the forum." 460 F. Supp. at 489); Grimandi v. Beech Aircraft Corp., 512 F. Supp. 764 (D. Kansas 1981); Roorda v. Volkswagenwerk A.G., 481 F. Supp. 868 (D. S.C. 1979); Crucible, Inc. v. Stora Kopparbergs Bergslags AB, 403 F. Supp. 9 (W.D. Pa. 1975); and Bulova Watch Co., Inc. v. K. Hattori & Co., 508 F. Supp. 1322 (E.D. N.Y. 1981).

to find Charter subject to jurisdiction in Pennsylvania. The Pennsylvania Superior Court clearly and correctly considered each factor deemed relevant for due process analysis by this Court, as can be seen from its opinion itself:

After thorough consideration of the record as a whole, we conclude that the lower court was correct in its determination on the personam jurisdiction issue presented in this case. We find that Charter's involvements in Pennsylvania satisfy the tests set forth in Koenig v. International Brotherhood of Boilermakers, [284 Pa. Super. 558, 426 A.2d 635 (1980)] and other cases so that an assertion of Pennsylvania court jurisdiction over Charter is clearly constitutional. More particularly, we first find it evident that Charter has purposely availed itself of the privilege of acting within Pennsylvania and thus invoked the benefits and protections of our laws. Charter did this constantly and repeatedly over the years preceding the filing of this suit in its conduct of recurring business affairs through its Cape and Pandrol operations as well as the individual acts of various representatives. second requirement, that the cause of action must arise from the defendant's activities within the forum state, is clearly satisfied. In light of the allegations of the Plaintiffs' Complaint, occurred in its sale of asbestos to their employer. The third requirement is that the acts of Charter must have been substantial enough with regard to Pennsylvania so that our courts' exercise of jurisdiction over Charter is reasonable. Again, there is no question that the activities of Charter, through Pandrol and various representatives, has been both continuous and substantial in Pennsylvania. The extent of these commercial transactions makes the assumption of jurisdiction completely reasonable and proper in this case.

Barber v. Pittsburgh Corning Corp., 464 A.2d at 330, Petition for Writ, Appendix B at 12a-13a.

Furthermore, the conclusions of the lower court that Cape and Pandrol's activities should be counted in the jurisdictional calculus are clearly supported by the record. As shown in the Statement of the Case above, Charter's relationship with each subsidiary is intimate, Charter's ability to control their operations undoubted, and the financial benefits to Charter of operations in Pennsylvania unquestionable. But the most revealing and decisive consideration of all is the fact that Charter does not conduct business on its own, but rather accomplishes all of its economic and industrial activities through its subsidiaries. The subsidiaries are Charter. 12

In conclusion, the Pennsylvania court conducted an extensive factual review of the interrelationships of Charter and its subsidiaries, and all contacts with Pennsylvania, in conformance with the applicable due process considerations for jurisdictional determinations. The lower court did not use an improper standard to find jurisdiction and did not overrule or ignore any applicable authority from this Court. Since the lower court made a factual determination based on a correct legal analysis and appropriate authority, no reason exists for this Court to grant Charter's Petition for a Writ of Certiorari to the Pennsylvania Supreme Court.

[&]quot;It is also important to note that Cape, as indicated above, has declared it will never again appear in an asbestos-related lawsuit in the United States. Charter has the undoubted ability to control, influence or change this determination. Charter is attempting to hide behind its subsidiary while accepting the economic benefits of its activities in Pennsylvania and PPG submits that this is a strong factor indicating the fundamental fairness of subjecting Charter to jurisdiction in this action.

II. The Pennsylvania courts correctly found that Charter's relationship with the Commonwealth of Pennsylvania provided a basis for the assertion of personal jurisdiction over Charter.

The Pennsylvania courts asserted jurisdiction over Charter only after a careful review of all of Charter's forum contacts. This review included an examination of Charter's contacts through the activities of its controlled companies, Cape and Pandrol, as well as an examination of Charter's own direct contacts with Pennsylvania. In fact the courts below found that Charter's direct activities within Pennsylvania constituted a continuous and systematic part of its general business such that Charter could reasonably anticipate being haled into court in Pennsylvania, citing World-Wide Volkswagen 444 U.S. 286 (1980). Woodson. Montgomery writing for the Pennsylvania Superior Court stated, "[w]e find that Charter's own business contacts in our Commonwealth justify the assertion of jurisdiction over it, even without regard to the evidence of domination and control of its subsidiaries which are clearly engaged in business in our state." Barber v. Pittsburgh Corning Corp., 464 A.2d at 332, Petition for Writ, Appendix B at 16a.

The discussion above shows that, unlike the manner in which Charter framed the issue, the Pennsylvania courts did not assert jurisdiction over Charter solely on the basis of the forum contacts of Charter, or, solely because of the forum contacts of Charter's subsidiaries. Rather the courts below asserted jurisdiction because the aggregation of Charter's direct contacts and the contacts of its subsidiaries were such as to make the exercise of jurisdiction consistent with traditional notions of fair play and substantial justice.

But even if attention is directed only to Charter's own direct activities within Pennsylvania, the Pennsylvania courts' rulings in favor of jurisdiction are correct. A review of the record in this case demonstrates that even within the limited period of time for which it submitted responses in discovery, Charter's own direct contacts with Pennsylvania were such that the assertion of jurisdiction by the courts of Pennsylvania was proper this Court's relevant constitutional In International Shoe Co. pronouncements. Washington, supra, this Court held that constitutional due process requirements are satisfied when in personam jurisdiction is asserted over a nonresident corporate defendant which has "certain minimum contacts with [the forum state] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice." 326 U.S. at 316, quoting from Milliken v. Meyer, 311 U.S. 457, 463 (1940). This Court has further stated that the proper inquiry is whether the defendant's conduct and connection with [the forum state] are such that [it could] reasonably anticipate being haled into court there. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. at 297 (1980). Furthermore this Court in Perkins v. Benguet Consolidated Mining Co., 342 U.S. 437 (1952), has held that a corporation, in a suit not arising out of forum activities, may constitutionally be amenable to jurisdiction if the corporation's forum activities are continuous and substantial.

The record below demonstrates that in one single twelve month period, a number of different Charter representatives visited the Commonwealth of Pennsylvania for the purpose of conducting business transactions. These Charter business contacts in Pennsylvania were not limited to a single customer or business endeavor. In fact, Charter dealt with at least

five separate Pennsylvania-based customers or business concerns on matters as diverse as sales of minerals, acid plant compressors, remote control devices, and other business and research projects. During the same limited time period, for which it made discovery disclosures, Charter also engaged in at least one stock transaction within the Commonwealth of Pennsylvania.

Reviewing all of the Charter contacts with Pennsylvania in light of the fact that they merely represent the contacts for the one twelve month period that Charter chose to disclose, it seems clear that Charter is amenable to jurisdiction based solely on its direct contacts with Pennsylvania. These contacts in one twelve month period are continuous and substantial within the meaning of the Perkins case, supra. In addition, certainly Charter could reasonably anticipate being haled into Pennsylvania courts based upon its regular business contacts with the Commonwealth. Finally, such contacts in a one year period demonstrate that the maintenance of this suit in Pennsylvania does not offend the traditional notions of fair play and substantial justice inherent in the notion of due process. International Shoe, supra.

While the above demonstrates that Charter's own contacts with Pennsylvania were substantial and continuous enough to support the constitutional exercise of jurisdiction, the fact remains that the lower courts had more upon which to rely. The Pennsylvania courts had an enormous record of direct, continuous, and substantial contacts by Charter's intimately controlled subsidiaries. Furthermore, these contacts of one such subsidiary, Cape, with Pennsylvania, were directly related to the cause of action asserted by the Plaintiffs in this action. Thus the courts below had an ample

aggregate of forum-affiliating contacts, both directly and indirectly through subsidiaries, upon which to justify the assertion of jurisdiction over Charter.

As with the first issue cited by Charter, the Pennsylvania courts used a correct legal analysis coupled with an amply supported factual record to determine that Charter is subject to the jurisdiction of the courts of Pennsylvania because of its continual and substantial business operations within the Commonwealth. These findings are clearly supportable under the relevant due process decisions of this Court, and thus, there is no overriding reason for this Court to review the determination of the Pennsylvania courts.

Conclusion

For all of the above reasons, Charter's Petition for a Writ of Certiorari to the Supreme Court of Pennsylvania should be denied.

Respectfully submitted,

DAVID J. ARMSTRONG
Counsel of Record
GEORGE E. McGRANN
DICKIE, McCAMEY & CHILCOTE, P.C.
3180 U.S. Steel Building
Pittsburgh, Pennsylvania 15219
(412) 281-7272
Counsel for Respondent
PPG Industries, Inc.

Dated: April 25, 1984

CERTIFICATE OF SERVICE

I, GEORGE E. McGRANN, hereby certify that on the 25th day of April, 1984, true and correct copies of the foregoing Brief of PPG Industries, Inc. in Opposition to Petition for Writ of Certiorari to the Supreme Court of Pennsylvania were deposited in a United States post office or mailbox, with first-class postage pre-paid, and properly addressed to the Clerk of this Court, and to the persons listed below:

Brian H. Baxter, Esquire Deputy Attorney General Department of Justice 4th Floor, Manor Building 564 Forbes Avenue Pittsburgh, PA 15219

Richard M. Colasurd, Esquire 1506 Edison Plaza Toledo, OH 43694

Stanley W. Greenfield, Esquire 728 Fifth Avenue Pittsburgh, PA 15219

Gerald C. Paris, Esquire Reed, Smith, Shaw & McClay P.O. Box 2009 Pittsburgh, PA 15230

William M. Wycoff, Esquire Thorp, Reed & Armstrong One Riverfront Center Pittsburgh, PA 15222 Robert D. Kurnick, Esquire Sherman, Dunn, Cohen, Leifer & Counts 1125 Fifteenth St. N.W. Suite 801 Washington, D.C. 20005 Robert L. Clare, Jr. Shearman & Sterling 53 Wall Street New York, N.Y. 10005

Larry P. Gaitens, Esquire Gaitens & Tucceri, P.C. Suite 1260, Lawyers Building Pittsburgh, PA 15219

George H. Cohen, Esquire Frank Petramalo, Jr., Esquire Bredhoff & Kaiser 1000 Connecticut Ave., N.W. Suite 1300 Washington, D.C. 20036

DAVID J. ARMSTRONG
Counsel of Record
GEORGE E. McGRANN
DICKIE, McCAMEY & CHILCOTE, P.C.
3180 U.S. Steel Building
Pittsburgh, Pennsylvania 15219
(412) 281-7272
Counsel for Respondent

PPG Industrie . Inc.

Of Counsel
JOHN P.S. O'CONNOR, Esq.
Senior Counsel
PPG Industries, Inc.
Two Gateway Center
Pittsburgh, Pennsylvania 15222